Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

January 2015: budgetary surplus of $2.2 billion

There was a budgetary surplus of $2.2 billion in January 2015, virtually unchanged from the budgetary balance reported for January 2014. Revenues increased by $0.4 billion, or 1.5 per cent, largely reflecting higher personal income tax revenues, offset in part by a decrease in non-resident income tax revenues. Program expenses increased by $0.7 billion, or 3.4 per cent, reflecting increases in major transfers to persons and direct program expenses. Public debt charges decreased by $0.3 billion, or 13.9 per cent, largely reflecting a lower average effective interest rate on bonds.

April 2014 to January 2015: budgetary surplus of $1.3 billion

For the April 2014 to January 2015 period of the 2014–15 fiscal year, the Government posted a budgetary surplus of $1.3 billion, compared to a deficit of $10.0 billion reported for the same period of 2013–14. Revenues were up $7.7 billion, or 3.6 per cent, reflecting increases in most revenue streams. Program expenses were down $2.8 billion, or 1.4 per cent, reflecting a decrease in direct program expenses, offset in part by increases in major transfers to persons and other levels of government. Public debt charges were down $0.8 billion, or 3.2 per cent, largely reflecting a lower average effective interest rate on bonds.

January 2015

There was a budgetary surplus of $2.2 billion in January 2015, virtually unchanged from the balance reported for January 2014.

Revenues in January 2015 totalled $25.4 billion, up $0.4 billion, or 1.5 per cent, from January 2014.

- Personal income tax revenues were up $0.9 billion, or 7.3 per cent.
- Corporate income tax revenues were down $0.1 billion, or 3.2 per cent.
- Non-resident income tax revenues were down $0.5 billion, or 31.9 per cent.
- Excise taxes and duties were down $21 million, or 0.5 per cent, reflecting timing issues. Goods and Services Tax (GST) revenues decreased by $18 million, energy taxes decreased by $2 million, customs import duties decreased by $32 million, and other excise taxes and duties increased by $31 million.
- Employment Insurance (EI) premium revenues were up $0.1 billion, or 3.9 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down $31 million, or 1.4 per cent.

Program expenses in January 2015 were $21.2 billion, up $0.7 billion, or 3.4 per cent, from January 2014.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.2 billion, or 3.3 per cent. Elderly benefits increased by $0.2 billion, or 5.0 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $22 million, or 1.3 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by $5 million, or 0.5 per cent.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements

and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government decreased by $9 million, or 0.2 per cent, as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories was offset by a decrease in transfers to Canada's cities and communities and an increase in the Quebec Abatement.

- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $0.5 billion, or 5.4 per cent. Within direct program expenses:
  - Transfer payments increased by $1.0 billion, or 33.6 per cent, largely reflecting increases in claims expenses and costs related to the Disaster Financial Assistance Arrangements.
  - Other direct program expenses decreased by $0.5 billion, or 7.3 per cent, reflecting in part a decrease in expenses related to pensions and other employee future benefits.

Public debt charges decreased by $0.3 billion, or 13.9 per cent, reflecting a lower average effective interest rate on bonds.

April 2014 to January 2015

For the April 2014 to January 2015 period of the 2014–15 fiscal year, there was a budgetary surplus of $1.3 billion, compared to a deficit of $10.0 billion reported during the same period of 2013–14.

Revenues increased by $7.7 billion, or 3.6 per cent, to $223.3 billion.

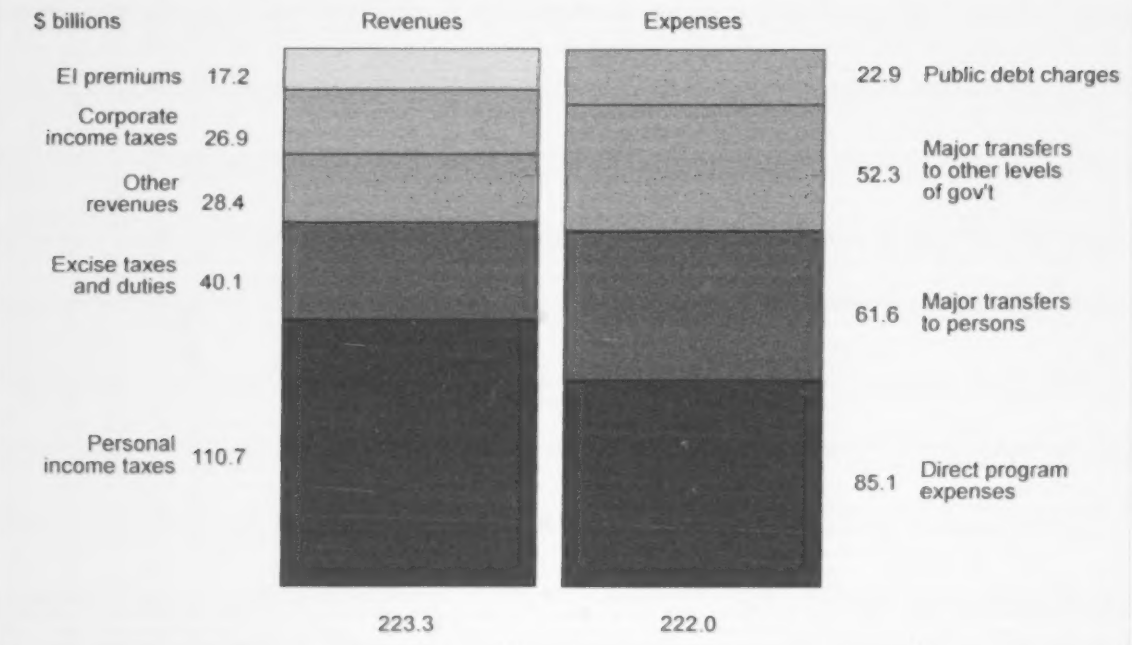
- Personal income tax revenues were up $2.9 billion, or 2.6 per cent.
- Corporate income tax revenues were up $2.2 billion, or 9.0 per cent.
- Non-resident income tax revenues were down $0.2 billion, or 4.4 per cent.
- Excise taxes and duties were up $1.4 billion, or 3.7 per cent. GST revenues increased by $0.7 billion, or 2.7 per cent, energy taxes by $0.1 billion, customs import duties by $0.2 billion, and other excise taxes and duties by $0.4 billion.
- EI premium revenues were up $0.6 billion, or 3.9 per cent, reflecting growth in earnings.
- Other revenues were up $0.8 billion, or 3.5 per cent.

For the April 2014 to January 2015 period, program expenses were $199.1 billion, down $2.8 billion, or 1.4 per cent, from the same period the previous year.

- Major transfers to persons were up $1.7 billion, or 2.9 per cent. Elderly benefits increased by $1.5 billion, or 4.3 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.4 billion, or 2.8 per cent, and children's benefits were down $0.2 billion, or 1.5 per cent.
- Major transfers to other levels of government were up $1.9 billion, or 3.8 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were down $6.5 billion, or 7.1 per cent. Within direct program expenses:
  - Transfer payments decreased by $3.6 billion, or 12.0 per cent, largely reflecting the one-time accrual in 2013–14 of a liability for disaster assistance related to the 2013 flood in Alberta. The decrease in transfer payments also reflects a decrease in expenses associated with the revaluation of the Government's liability to Ontario for the province's one-third participation in the value of the Government's equity holdings in General Motors.
  - Other direct program expenses decreased by $2.9 billion, or 4.7 per cent, due in large part to a decrease in pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges decreased by $0.8 billion, or 3.2 per cent, largely reflecting a lower average effective interest rate on bonds.

Revenues and expenses (April 2014 to January 2015)



Note: Totals may not add due to rounding.

Financial requirement of $6.1 billion for April 2014 to January 2015

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $1.3 billion and a financial requirement of $7.4 billion from non-budgetary transactions, there was a financial requirement of $6.1 billion for the April 2014 to January 2015 period, compared to a financial source of $4.0 billion for the same period the previous year.

Net financing activities up $16.8 billion

The Government financed the financial requirement of $6.1 billion and increased cash balances by $10.7 billion by increasing unmatured debt by $16.8 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of January 2015 stood at $36.8 billion, up $4.8 billion from their level at the end of January 2014.

Table 1
Summary statement of transactions
$ millions

	January		April to January	
	2014[1]	2015	2013–14[1]	2014–15
Budgetary transactions				
Revenues	25,046	25,416	215,586	223,282
Expenses				
Program expenses	-20,540	-21,233	-201,880	-199,059
Public debt charges	-2,290	-1,972	-23,672	-22,914
Budgetary balance (deficit/surplus)	2,216	2,211	-9,966	1,309
Non-budgetary transactions	3,544	-8,985	13,975	-7,382
Financial source/requirement	5,760	-6,774	4,009	-6,073
Net change in financing activities	-266	15,406	3,679	16,768
Net change in cash balances	5,494	8,632	7,688	10,695
Cash balance at end of period			32,002	36,768

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

[1] Certain comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013–14.

Table 2
Revenues

	January			April to January		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2013–14 ($ millions)	2014–15 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	11,999	12,869	7.3	107,805	110,658	2.6
Corporate income tax	2,885	2,793	-3.2	24,728	26,949	9.0
Non-resident income tax	1,434	977	-31.9	5,454	5,213	-4.4
Total income tax	16,318	16,639	2.0	137,987	142,820	3.5
Excise taxes and duties						
Goods and Services Tax	2,602	2,584	-0.7	26,038	26,744	2.7
Energy taxes	462	460	-0.4	4,536	4,610	1.6
Customs import duties	389	357	-8.2	3,555	3,775	6.2
Other excise taxes and duties	393	424	7.9	4,498	4,934	9.7
Total excise taxes and duties	3,846	3,825	-0.5	38,627	40,063	3.7
Total tax revenues	20,164	20,464	1.5	176,614	182,883	3.5
Employment Insurance premiums	2,617	2,718	3.9	16,579	17,220	3.9
Other revenues	2,265	2,234	-1.4	22,393	23,179	3.5
Total revenues	25,046	25,416	1.5	215,586	223,282	3.6

Note: Totals may not add due to rounding.

Table 3
Expenses

	January			April to January		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2013–14 ($ millions)	2014–15 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,519	3,696	5.0	34,738	36,232	4.3
Employment Insurance benefits	1,651	1,673	1.3	14,173	14,565	2.8
Children's benefits	1,058	1,063	0.5	10,981	10,821	-1.5
Total	6,228	6,432	3.3	59,892	61,618	2.9
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,544	2,676	5.2	25,454	26,762	5.1
Canada Social Transfer	1,018	1,049	3.0	10,179	10,485	3.0
Total	3,562	3,725	4.6	35,633	37,247	4.5
Fiscal arrangements and other transfers	1,582	1,640	3.7	16,352	16,922	3.5
Canada's cities and communities	232	29	-87.5	1,968	1,932	-1.8
Quebec Abatement	-348	-375	7.8	-3,518	-3,758	6.8
Total	5,028	5,019	-0.2	50,435	52,343	3.8
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	187	487	160.4	4,717	4,966	5.3
Agriculture and Agri-Food	98	96	-2.0	948	764	-19.4

Employment and Social Development	736	785	6.7	4,797	4,758	-0.8
Foreign Affairs, Trade and Development	273	358	31.1	2,235	1,966	-12.0
Health	244	298	22.1	2,389	2,530	5.9
Industry	144	145	0.7	2,027	1,815	-10.5
Other	1,199	1,679	40.0	12,512	9,269	-25.9
Total	2,881	3,848	33.6	29,625	26,068	-12.0
Other direct program expenses						
Crown corporations	647	626	-3.2	6,234	6,112	-2.0
National Defence	1,840	1,551	-15.7	16,814	16,626	-1.1
All other departments and agencies	3,916	3,757	-4.1	38,880	36,292	-6.7
Total other direct program expenses	6,403	5,934	-7.3	61,928	59,030	-4.7
Total direct program expenses	9,284	9,782	5.4	91,553	85,098	-7.1
Total program expenses	20,540	21,233	3.4	201,880	199,059	-1.4
Public debt charges[1]	2,290	1,972	-13.9	23,672	22,914	-3.2
Total expenses	22,830	23,205	1.6	225,552	221,973	-1.6

Note: Totals may not add due to rounding.

[1] Comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013–14.

Table 4
The budgetary balance and financial source/requirement
$ millions

	January		April to January	
	2014	**2015**	**2013–14**	**2014–15**
Budgetary balance (deficit/surplus)	2,216	2,211	-9,966	1,309
Non-budgetary transactions				
Capital investment activities	-335	-300	-3,404	-2,913
Other investing activities	7,689	-607	29,123	3,168
Pension and other accounts	366	261	4,379	1,746
Other activities				
Accounts payable, receivables, accruals and allowances	-950	-1,418	-9,470	-3,631
Foreign exchange activities	-3,565	-7,046	-9,785	-8,820
Amortization of tangible capital assets	339	125	3,132	3,068
Total other activities	-4,176	-8,339	-16,123	-9,383
Total non-budgetary transactions	3,544	-8,985	13,975	-7,382
Financial source/requirement	5,760	-6,774	4,009	-6,073

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	January		April to January	
	2014	2015	2013–14	2014–15
Financial source/requirement	5,760	-6,774	4,009	-6,073
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	6,092	6,753	16,346	16,001
Treasury bills	-9,200	2,200	-18,800	-4,300
Retail debt	-17	8	-1,076	-630
Other	0	0	0	0
Total	-3,125	8,961	-3,530	11,071
Foreign currency borrowings	764	1,690	1,717	167
Total	-2,361	10,651	-1,813	11,238
Cross-currency swap revaluation	2,100	4,486	5,676	5,349
Unamortized discounts and premiums on market debt[1]	-18	255	-145	534
Obligations related to capital leases and other unmatured debt	13	14	-39	-353
Net change in financing activities	-266	15,406	3,679	16,768
Change in cash balance	5,494	8,632	7,688	10,695

Note: Totals may not add due to rounding.

[1] Comparative figures have been restated to reflect a change in the Government's accounting policy for bond buyback operations as reported in the *Annual Financial Report of the Government of Canada* for 2013–14.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2014	January 31, 2015	Change
Liabilities			
Accounts payable and accrued liabilities	111,421	114,949	3,528
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	473,319	489,320	16,001
Treasury bills	152,990	148,690	-4,300
Retail debt	6,327	5,697	-630
Subtotal	632,636	643,707	11,071
Payable in foreign currencies	16,030	16,197	167
Cross-currency swap revaluation	2,326	7,675	5,349
Unamortized discounts and premiums on market debt	3,184	3,718	534
Obligations related to capital leases and other unmatured debt	4,782	4,429	-353
Total unmatured debt	658,958	675,726	16,768
Pension and other liabilities			
Public sector pensions	153,083	152,720	-363
Other employee and veteran future benefits	71,409	73,495	2,086
Other liabilities	5,914	5,937	23
Total pension and other liabilities	230,406	232,152	1,746

Total interest-bearing debt	889,364	907,878	18,514
Total liabilities	1,000,785	1,022,827	22,042
Financial assets			
Cash and accounts receivable	128,574	146,428	17,854
Foreign exchange accounts	72,262	81,082	8,820
Loans, investments, and advances (net of allowances)[1]	117,635	112,239	-5,396
Total financial assets	318,471	339,749	21,278
Net debt	682,314	683,078	764
Non-financial assets	70,433	70,278	-155
Federal debt (accumulated deficit)	611,881	612,800	919

Note: Totals may not add due to rounding.

[1] January 31, 2015 amount includes $2.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April 2014 to January 2015 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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